

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

United States Securities & Exchange
Commission,

Plaintiff,

-against-

China North East Petroleum Holdings
Limited; Wang Hongjun (a/k/a Hongjun
Wang); Ju Guizhi (a/k/a Guizhi Ju); and Jian
Chao (a/k/a Chao Jiang),

Defendants,

Jiang Mingfu (a/k/a Mingfu Jiang); and Sun
Jishuang (a/k/a Jishuang Sun),

Relief Defendants.

CASE NO. 12-CV-8696 (NRB)

ECF Case

Oral argument requested

**DECLARATION OF GEOFFREY H. COLL IN SUPPORT OF DEFENDANT WANG
HONGJUN AND RELIEF DEFENDANT SUN JISHUANG'S JOINT MOTION TO
DISMISS THE COMPLAINT WITH PREJUDICE**

GEOFFREY H. COLL hereby declares:

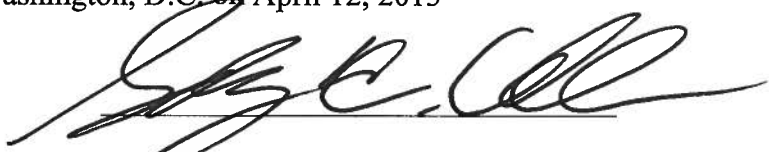
1. I am a member in good standing of the Bar of the State of New York and have been admitted to practice before this Court. I am a partner at the law firm of Schiff Hardin LLP, counsel to Defendant Wang Hongjun and Relief Defendant Sun Jishuang in the above-captioned action. I submit this Declaration in support of said Defendant and Relief

Defendant's Joint Motion to Dismiss the Complaint with Prejudice and to put before the Court relevant portions of certain documents relevant to that motion.

2. A true and correct copy of relevant portions of the "Independent Accountant's Report prepared by John Lees Associates for The Board of Directors of China North East Petroleum Holdings Limited in respect of The Source and Application of Current Account Transactions and a Review of the Group's Internal Control System," dated July 10, 2010, is attached hereto as Exhibit 1.
3. A true and correct copy of relevant portions of China North East Petroleum Holdings Limited Annual Report filed on Form 10-K for the fiscal year ended December 31, 2009, available at <http://www.sec.gov/Archives/edgar/data/787251/000121465910002366/b81010210k.htm> is attached hereto as Exhibit 2.

I declare under penalty of perjury that the foregoing is true and correct.

Executed in Washington, D.C. on April 12, 2013



Geoffrey H. Coll

EXHIBIT 1

Private & Confidential

Independent Accountant's Report

prepared by

John Lees Associates

for

The Board of Directors

of

China North East Petroleum Holdings Limited

in respect of

**The Source and Application of Current Account
Transactions and a Review of the Group's Internal
Control System**

10 July 2010

李約翰及其聯屬有限公司

JOHN LEES & ASSOCIATES LIMITED

Business Advisory • Corporate Recovery • Forensic Services

*Independent Accountant's Report
prepared for the Board of Directors of China North East Petroleum Holding Ltd.
in respect of Current Account Transactions and an Internal Control Review
10 July 2010*

SCHEDULE OF ABBREVIATIONS

"AMEX"	NYSE Amex LLC
"Baker Tilly"	Baker Tilly Hong Kong Limited, the auditors of the Group
"BOC"	Bank of China
"BVI"	British Virgin Islands
"CapEX"	Capital expenditure
"CCB"	China Construction Bank
"Chuang Yuan"	松原市創元石油物資公司 (English Translation: Song Yuan City Chuang Yuan Oil Goods and Materials Company)
"CNE"	China North East Petroleum Holdings Limited
"COSO"	Committee of Sponsoring Organizations of the Treadway Commission
"Da Qing"	大慶鑽探工程有限公司地球物理勘探二公司 (English translation: Da Qing Drilling Engineering Company Limited – 2nd Geology Exploration Company)
"DM"	Department Manager
"FCPA"	Foreign Corrupt Practices Act of the United States of America
"FM"	Finance Manager
"GM"	General Manager
"Group" or "Group Companies"	CNE and its subsidiaries
"Guang Han"	廣漢市錦城石油機械廠 (English Translation: Guang Han Jin Cheng Oil Machinery Factory)
"Harmony Capital"	Harmony Capital Partners
"Hong Jie"	Hong Jie Limited
"Hong Xiang Oil and Gas Development Limited"	松原市豫橋鴻翔油氣開發有限公司 (English Translation: Song Yuan City Yu Qiao Hong Xiang Oil and Gas Development Limited Company)
"Hong Xiang"	Hong Xiang Petroleum Group Limited
"Hu Nan"	湖南省煤田地質局物探測量隊 (English translation: Exploration team of Hu Nan Province Coal Field Geology Department)
"Hua Ying"	松原市華瑩鑽井公司 (English Translation: Song Yuan City Hua Ying Drilling Company)
"ICBC"	Industrial and Commercial Bank of China

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"Jing Shuang"	松原市經濟技術開發區景雙勞務隊 (English translation: Songyuan City Technical Economic Development Area Jing Shuang Labor Service Team)
"JLA"	John Lees Associates
"JU C/A"	Current account with Ms Ju in the books of North East Technical, Yu Qiao or Long De
"JU Personal Account"	The personal bank account of Ms Ju maintained with Industrial and Commercial Bank of China (account number: 6222080809000007790)
"K"	Denotes Thousands
"Long De"	Changling LongDe Oil & Gas Development Co. Ltd.
"M"	Denotes Millions
"Mr An"	Mr An Lian Bo, the Accountant of Tian Cheng
"Mr Bai"	Mr Bai Guo Jun, general manager of Tian Cheng
"Mr Bruce"	Mr Robert Bruce, the Chairman of the Audit Committee of the Board of Directors of the Group
"Mr Han"	Mr Han Xian Feng, Head of Internal Control of the Group
"Mr Li"	Mr Li Jing Fu, former Independent Director, and the current Acting Chief Executive Officer, of the Group
"Mr Liu"	Mr Liu Xiao Yu, an employee of Yu Qiao
"Mr Lou"	Mr Lou Yunhui, former substantial shareholder of Tian Cheng
"Mr CM Wang"	Mr Wang Chun Ming, former Frontline Manager of Yu Qiao
"Mr MF Wang"	Mr Wang Ming Fung, former Legal Representative and major shareholder of Tian Cheng
"Mr Wang"	Mr Wang Hongjun, former Chief Executive Officer of the Group
"Mr Yu"	Mr Yu Li Gou, head of procurement of the Group
"Mr Zhang"	Mr Zhang Yang Dio, former Chief Financial Officer of the Group
"Ms Ding"	Ms Ding Shuang, the Accountant of North East Technical
"Ms Ju"	Ms Ju Guizhi, former Director of CNE
"Ms YY Li"	Ms Yu Yan Li, the Account of Tian Cheng
"Ms CY Wang"	Ms Wang Chun Yan, a daughter of Ms Ju
"Ms XM Wang"	Ms Wang Xin Mei, the Accountant of the Group
"North East Technical"	Song Yuan North East Petroleum Technical Service Co., Limited
"Op Costs"	Operating expenses
"Petro China"	PetroChina Company Limited

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"Porcheers Report"	A report by Porcheers in relation to their review of the Group's internal control systems
"Porcheers"	Porcheers Consultants Limited
"PRC"	The People's Republic of China
"Pu Yuan"	松原市濮原鑽探服務有限責任公司 (English Translation: Song Yuan City Pu Yuan Drilling and Mining Limited Company)
"SAFE"	The State Administration of Foreign Exchange
"SAT"	The State Administration of Taxation
"SEC"	The Securities and Exchange Commission
"Sheng Xin"	松原市盛鑫石油技術綜合服務公司 (English Translation: Song Yuan City Sheng Xin Petroleum Technology Services Company)
"SOX"	Sarbanes-Oxley
"Three Subsidiaries"	North East Technical, Yu Qiao and Long De
"Tian Cheng"	Song Yuan Tiancheng Drilling Engineering Co., Ltd.
"VAT invoice"	Value-added tax invoice
"WANG C/A"	Current account with Mr Wang in the books of North East Technical, Yu Qiao or Long De
"Yan Cheng"	江蘇鹽城機械廠(English Translation: Jiangsu Yan Cheng Machinery Factory)
"YANG C/A"	Current account with Ms CY Wang in the books of North East Technical, Yu Qiao or Long De
"Yi Hao"	吉林億豪房地產開發有限公司 (English Translation: Jilin Yi Hao Real Estate Development Limited Company)
"Yu Qiao ICBC Account"	Bank account maintained by Yu Qiao with ICBC (account number: 0809121619000913849)
"Yu Qiao"	Songyuan Yu Qiao Oil & Gas Development Co. Ltd.

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- 1.3.28 We have been informed that a fixed asset count was performed by the CNE management over a 2-3 day period before the acquisition of Tian Cheng. Although no discrepancies were noted, difficulties were encountered in performing the count as only 2 to 3 frontline assets could be counted at a time to avoid interruption of the operations, and no measures had been implemented to prevent the fixed assets being moved around different oil fields / wells. We understand that no fixed asset count has been performed since the acquisition, and recommend that a full fixed asset count be carried out as soon as possible to confirm the accuracy of the Tian Cheng fixed asset records [Section 7.11].
- 1.3.29 On 30 April 2009, Tian Cheng recorded an acquisition of Land Use Right in an amount of RMB4,305,000.00. Payment for the acquisition was made by Mr Lou to a limited liability company, instead of to the local government, although the Land Use Certificate has still not been issued more than a year after the payment was made. We recommend that this matter be followed up as soon as possible to confirm the validity of the Group's land use entitlements [Section 7.12].

Foreign Corrupt Practices Act of the United States of America ("FCPA") review [Section 9.0]

- 1.3.30 Our review identified that no formal FCPA compliance program was in place within the Group and no FCPA compliance training was given to Group personnel.
- 1.3.31 In addition, the controls and procedures in place within the Group were not conducive to ensuring compliance with the books and records provisions of the FCPA [Section 7.0].
- 1.3.32 The weaknesses in the Group's internal control system to date have impeded full compliance with FCPA requirements.

1.4 Conclusion

- 1.4.1 Amounts totalling RMB27 million (or approximately USD3.95 million) were paid through the JU Personal Account in October and December 2009 to settle outstanding Accounts Payable of the Group.
- 1.4.2 Our review has found no evidence to suggest that funds transferred to either Ms Ju or Mr Wang were withdrawn for her / his personal use, but has identified that funds transferred to the personal accounts of Ms Ju and Mr Wang have been recorded in the JU C/A and the WANG C/A and applied to make payments related to the operations of the Group.

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10 July 2010*

- 10.1.31 On 30 April 2009, Tian Cheng recorded an acquisition of Land Use Right in an amount of RMB4,305,000. Payment for the acquisition was made by Mr Lou to a limited liability company, instead of to the local government, although the Land Use Certificate has still not been issued more than a year after the payment was made. We recommend that this matter be followed up as soon as possible to confirm the validity of the Group's land use entitlements [Section 7.12].

FCPA review
[Section 9.0]

- 10.1.32 Our review identified that no formal FCPA compliance program was in place within the Group and no formal FCPA compliance training was given to Group personnel.
- 10.1.33 In addition, the controls and procedures in place within the Group were not conducive to ensuring compliance with the books and records provisions of the FCPA [Section 7.0].
- 10.1.34 The weaknesses in the Group's internal control system to date have impeded full compliance with FCPA requirements.

Conclusion

- 10.1.35 Amounts totalling RMB27 million (or approximately USD3.95 million) were paid through the JU Personal Account in October and December 2009 to settle outstanding Accounts Payable of the Group.
- 10.1.36 Our review has found no evidence to suggest that funds transferred to either Ms Ju or Mr Wang were withdrawn for her / his personal use, but has identified that funds transferred to the personal accounts of Ms Ju and Mr Wang have been recorded in the JU C/A and the WANG C/A and applied to make payments related to the operations of the Group.
- 10.1.37 Our review has identified that 176 transactions in a total amount of RMB268,488,937.27 (comprising total debits of RMB193,740,856.42 [Tables 3, 5 and 8] and total credits of RMB74,748,080.85 [Tables 3, 5 and 13]) passed through the JU C/A and the WANG C/A, without specific Board approval, in 2009. In conjunction with the combined net debit opening balances of RMB16,431,233.76, this created a net debit ending balance of the JU C/A and WANG C/A with the Three Subsidiaries of RMB135,424,009.33 (i.e. RMB115,143,570.81 [Table 3] plus RMB20,280,438.52 [Table 5]).

EXHIBIT 2

10-K 1 b81010210k.htm FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

- ☒ **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2009
- ☐ **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number: 000-49846

CHINA NORTH EAST PETROLEUM HOLDINGS LIMITED

(Exact Name of Registrant as specified in its charter)

Nevada
(State or other jurisdiction of
Incorporation or organization)

87-0638750
(I.R.S. Employer
Identification Number)

445 Park Avenue
New York, NY 10022
(Address of principal executive office)

Registrant's telephone number, including area code: (212) 307-3568

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:

Common Stock, \$.001 par value per share
(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (section 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant, as of the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$55,857,989. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

As of April 9, 2010, there were 29,487,235 shares of the issuer's common stock, \$0.001 par value, issued and outstanding.

Documents Incorporated by Reference

None

CHINA NORTH EAST PETROLEUM HOLDINGS LIMITED AND SUBSIDIARIES ("NEP")
Consolidated Balance Sheets
As of December 31, 2009 and 2008 (Restated)

	2009	2008 (Restated)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 28,693,132	\$ 13,239,213
Accounts receivable, net	16,231,369	4,230,080
Prepaid expenses and other current assets	678,349	781,121
Value added tax recoverable	-	311,240
Total Current Assets	<u>45,602,850</u>	<u>18,561,654</u>
PROPERTY AND EQUIPMENT		
Oil properties, net	45,777,428	54,326,410
Fixed assets, net	16,466,117	1,684,377
Oil properties under construction	69,395	714,629
Total Property and Equipment	<u>62,312,940</u>	<u>56,725,416</u>
LAND USE RIGHTS, NET	630,387	36,198
GOODWILL	1,645,589	-
DEFERRED FINANCING COSTS, NET	-	1,481,557
DEFERRED TAX ASSETS	7,538,868	3,122,519
TOTAL ASSETS	<u>\$ 117,730,634</u>	<u>\$ 79,927,344</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 13,373,640	\$ 10,985,894
Current portion of secured debenture	5,625,000	2,625,000
Other payables and accrued expenses	1,165,494	821,918
Due to related parties	14,626	66,262
Due to a related company	144,796	-
Income tax and other taxes payable	4,930,202	3,710,870
Due to a stockholder	89,269	738
Total Current Liabilities	<u>25,343,027</u>	<u>18,210,682</u>
LONG-TERM LIABILITIES		
Accounts payable	-	13,944,903
Secured debenture, net of discount	4,875,000	4,750,765
Warrants	39,528,261	6,830,962
Total Long-term Liabilities	<u>44,403,261</u>	<u>25,526,630</u>
TOTAL LIABILITIES	<u>69,746,288</u>	<u>43,737,312</u>
COMMITMENTS AND CONTINGENCIES	-	-
EQUITY		
NEP Stockholders' Equity		
Common stock (\$0.001 par value, 150,000,000 shares authorized, 27,935,818 shares issued and outstanding as of December 31, 2009; 20,784,080 shares issued and outstanding as of December 31, 2008)	27,936	20,784
Additional paid-in capital	42,582,142	13,067,693
Retained earnings (deficits)		
Unappropriated	(7,995,947)	15,264,623
Appropriated	2,524,055	1,372,999
Accumulated other comprehensive income	3,181,452	3,085,703
Total NEP Stockholders' Equity	<u>40,319,638</u>	<u>32,811,802</u>
Noncontrolling interests	7,664,708	3,378,230
TOTAL EQUITY	<u>47,984,346</u>	<u>36,190,032</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 117,730,634</u>	<u>\$ 79,927,344</u>

The accompanying notes are an integral part of these consolidated financial statements